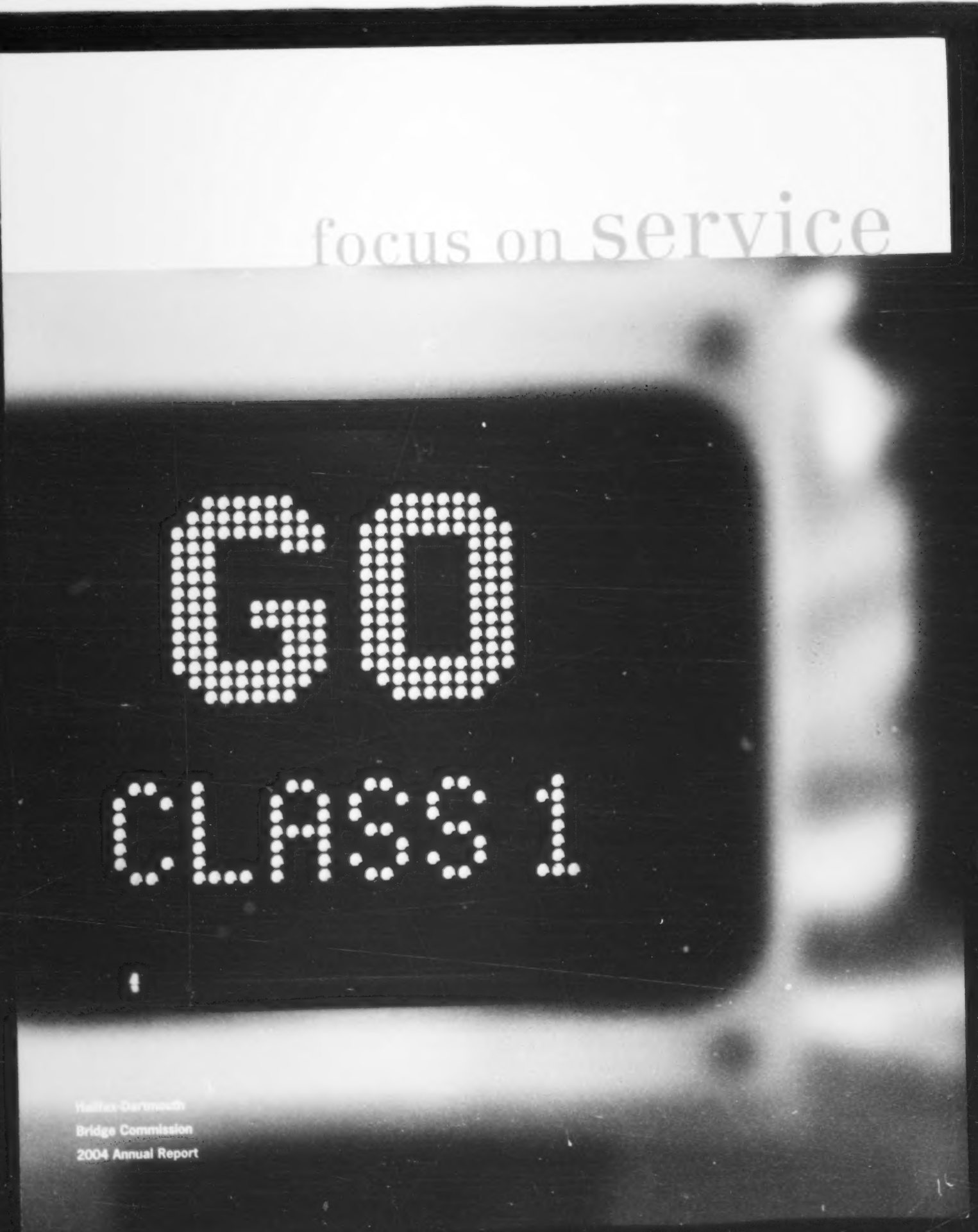
focus on service



Halifax-Dartmouth
Bridge Commission
2004 Annual Report

safe, convenient and reliable.

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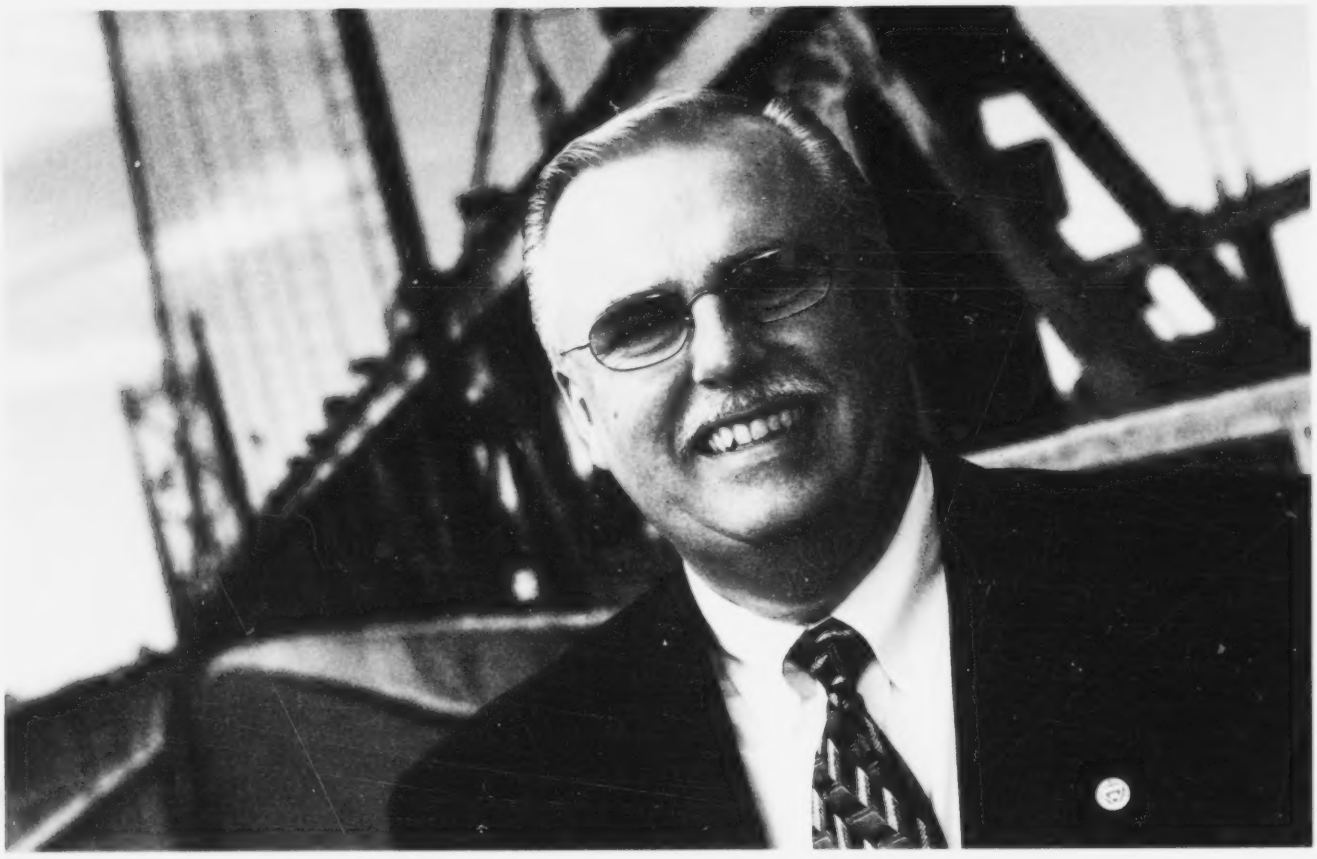
BOARD MEMBERS

Mr. Bruce S. Smith, Chairman
Ms. Linda Moreash, Secretary
Mr. David Covill
Mr. Larry Guptill
Councilor Sheila Fougere
Councilor Len Goucher
Councilor Harry McInroy
Mr. Clint Schofield
Councilor Brian Warshick
Councilor Andrew Younger



I am pleased to provide a report on behalf of the Halifax-Dartmouth Bridge Commission (the Commission) for the year ending December 31, 2004. Total revenues were up slightly over 2003, despite adverse weather conditions, and short period closures of the Angus L. Macdonald Bridge for wearing surface replacement. The financial statements reflect a stable balance sheet with positive annual operating results.

Bruce S. Smith, BComm, CMC
Chairman

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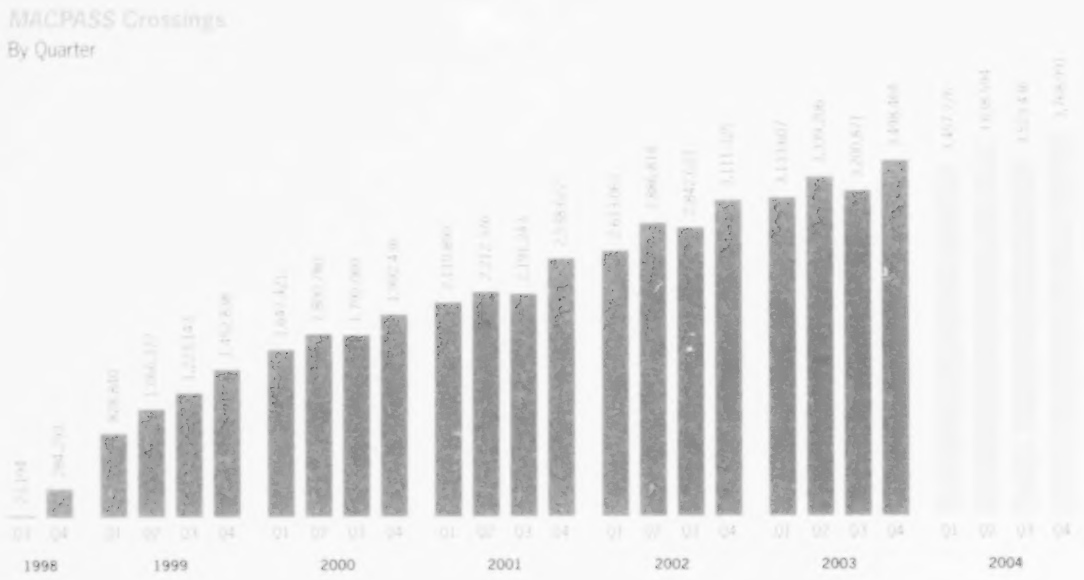


DURING 2004, the Commission repurchased $5.621 million of toll revenue bonds and reduced by $4 million its line of credit with the Province of Nova Scotia. The impact of this debt reduction will have a positive effect on future years' operating results.

The number of patrons using the *MACPASS* electronic toll system continues to increase. Additional improvements to Customer Service communications, during 2004, included the installation of 'patron fare indictors', in the *MACPASS* only lanes on both bridges, that provide messaging relating to account status. A dynamic wireless traffic alert program was also introduced that utilizes e-mail and text messaging technologies to advise patrons and key stakeholders, including the media, on traffic conditions and scheduled maintenance plans that may affect traffic flows.

The Commission will be upgrading its electronic toll collection system's future capabilities, over the next twelve months. This, along with its solid financial base, make the Commission well-positioned to explore new opportunities as a leader in intelligent transportation systems – as a vital link to the Halifax Regional Municipality's, and perhaps the Atlantic Region's, transportation network developments.

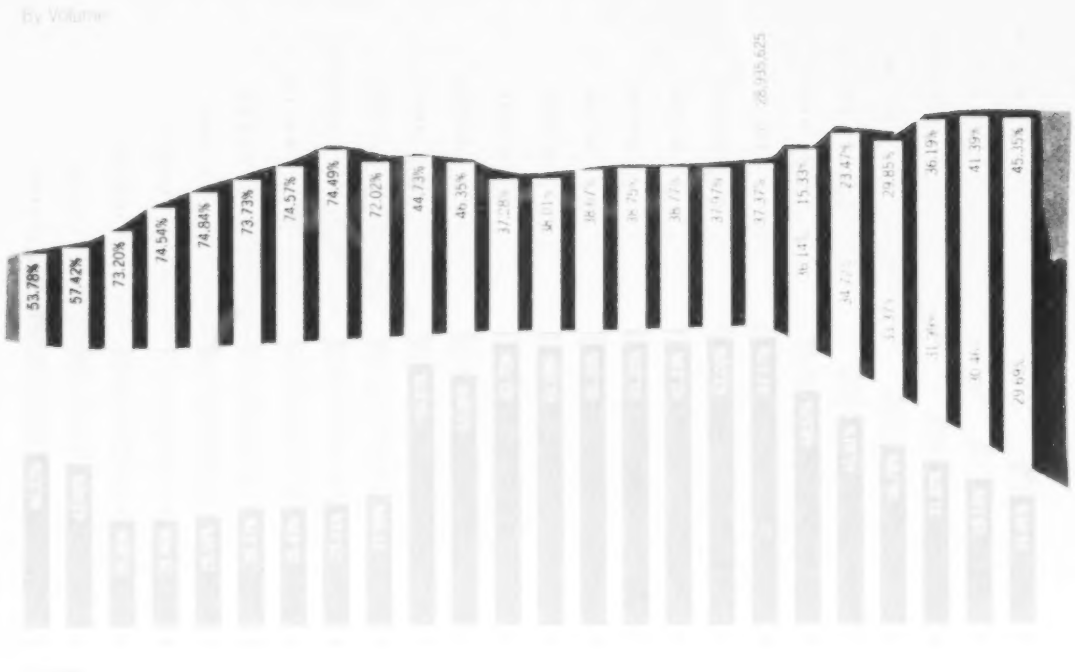
The Commission continues to deal with wearing surface issues on the Angus L. Macdonald Bridge, reflecting the importance of the constant vigilance required to keep its now 50 year old infrastructure, and that of the 35 year old

A. Murray MacKay Bridge, in top condition to ensure safe and efficient transportation for the longer term. Ongoing investments in long-term maintenance and structural life-enhancing programs continue to be the Commission's primary business activity.

In 2005, the Angus L. Macdonald Bridge will celebrate its 50th Anniversary. The Commission will unveil several initiatives throughout the year to celebrate this landmark occasion. Also during 2005, the Board of Commissioners will undergo a transition as current members' terms expire and new appointments take effect.

My term as Chair expired in March 2005. I would like to take this opportunity to thank the members of the Board for their commitment and support in fulfilling their responsibilities to the Province of Nova Scotia, patrons, stakeholders and bondholders. I also wish to acknowledge the leadership and dedication of the Commission's senior management team, along with the enthusiasm and commitment of all the staff, for their contributions to two of the major components of our regional transportation network.

Bruce S. Smith, BComm, CM
Chairman



A. Murray MacKay Bridge, in top condition to ensure safe and efficient transportation for the longer term. Ongoing investments in long-term maintenance and structural life-enhancing programs continue to be the Commission's primary business activity.

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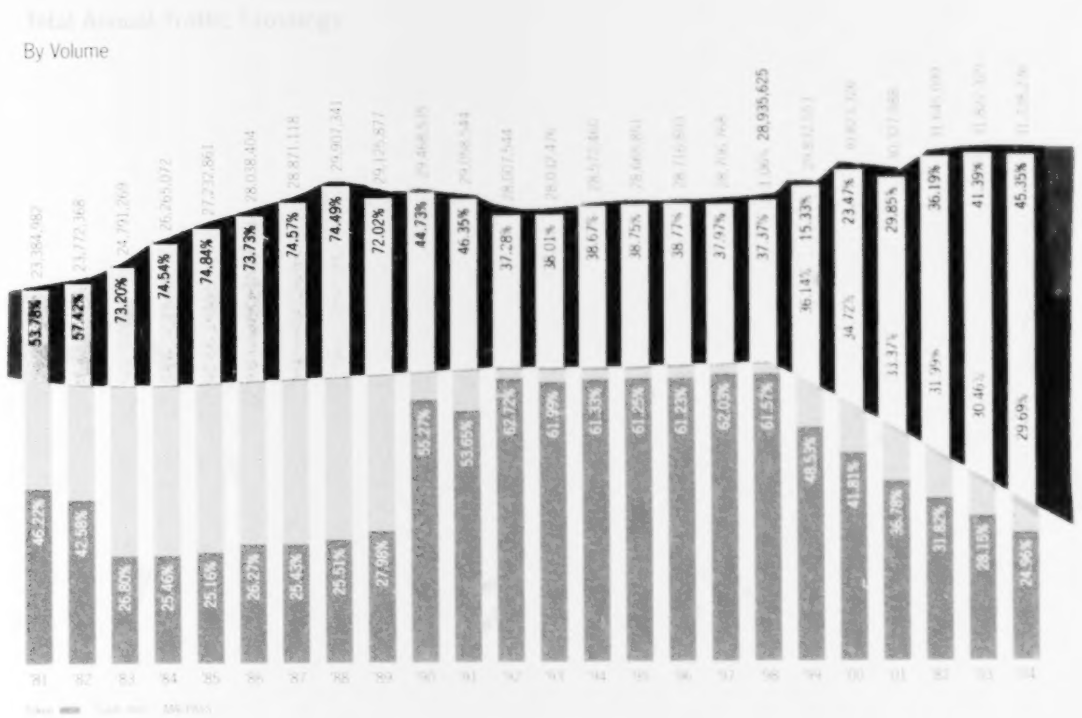
Bruce S. Smith, BComm, CMC
Chairman



THE ANNUAL REPORT IS AN OPPORTUNITY TO SHARE KEY ACCOMPLISHMENTS made during the past year and to clearly demonstrate to the traveling public, investors and stakeholders the Commission's commitment to fulfill all aspects of its business plan, mission and mandate. → **SAFE, EFFICIENT AND RELIABLE** – these are the fundamental principles guiding the Commission's operation of the Angus L. Macdonald Bridge and the A. Murray MacKay Bridge. Handling more than 31 million vehicle crossings each year, maintaining the bridges in top operating condition is paramount. → **ADDITIONALLY, THE COMMISSION LEADS WITH STRATEGIC PLANNING** – looking into today's transportation requirements, scanning the environment for indications of what demands are going to be in the future, and planning for how these demands are going to be met across all the core business units. This is customer service. → **CUSTOMER SERVICE IS A PRIORITY WITH THE COMMISSION** – it influences the way we do business. We are proud of the advances that were made in 2004, investments in bettering safety, efficiency and reliability of the bridges – positive changes that were achieved without increasing costs to users. Mission: To provide safe, convenient and reliable passage for our patrons at an appropriate cost. Mandate: The Halifax-Dartmouth Bridge Commission was created in 1950 by a statute of the Province of Nova Scotia. With the approval of the Governor in Council, the Commission has the power to construct, maintain and operate bridges and the necessary approaches across Halifax Harbour and the North West Arm, or either of them. The Commission is a self-supporting entity, which operates two toll bridges, the Angus L. Macdonald and the A. Murray MacKay. Organizational Structure: The Commission has nine board members. The Province of Nova Scotia appoints five members, including the Chairman and Secretary, and Halifax Regional Municipality appoints four of its councilors to the Board. Within the board structure, there are standing committees dealing specifically with finance, audit, public relations and maintenance. The Commission employs 30 permanent administrative and maintenance staff, 50 members of the Canadian Corps of Commissionaires on a contract basis, and 37 seasonal painting and 11 gardening staff. Strategic Goals: In order to carry out its mission, the Commission has defined the following goals as strategic: 1 Maintain public and employee safety through ongoing review and implementation of the Commission's policies, operations and initiatives. 2 Maintain the bridges and approaches in superior condition through a proactive maintenance program. 3 Maintain convenient and reliable passage by working with stakeholders to identify access and egress improvements, which will assist future capacity requirements. 4 Continue to market electronic toll collection

"On-line convenience means patrons can sign-up for a *MACPASS*, check the status of their account and make payments all without leaving their home or office."

Craig Paul, *Manager, MACPASS and Information Systems*
Also pictured, Kathryn Liem, *MACPASS*

(MACPASS) in order to decrease traffic congestion and accommodate future traffic growth. Ensure the Commission's financial stability through efficient financial planning and management. → **FROM THESE STRATEGIC GOALS,** the Commission continues to guide its business through four core areas: safety, maintenance, efficient transportation and financial management.

Community Snapshots: To assist non-profit and community organizations with visibility and awareness, the Commission installs two floral displays each year. During 2004, the Commission was proud to commemorate the 250th Anniversary of Halifax Regional Fire & Emergency Services; and the 50th Anniversary of the Submariners' Association of Canada. These displays, located at the MacKay Bridge, are viewed by over 30,000 vehicles daily.

Safety Achievements: The Commission achieves its safety goals through a number of ongoing initiatives. Continuous monitoring of bridge traffic through video surveillance, patrolling the bridges and approaches, conducting speed enforcement to reduce the average vehicle speed, and providing prompt response to collisions, are a few of the responsibilities of the Corps of Commissionaires, which help achieve our business goals.

→ **FOR THE SAFETY OF THE TRAVELLING PUBLIC,** the Commission enforces a "No Snow or Ice" policy during the winter that requires vehicles to be cleared of snow and ice before they are permitted to transit the bridges. The Commission has attained buy-in from key stakeholders, including Metro Transit and trucking firms, in part through on-site visits during the year to explain the need for this policy. As a result, this hazard and the number of vehicles that have been turned away for non-compliance have dropped dramatically. → **PROMPT SNOW REMOVAL** and salting of the bridges, sidewalk and bicycle path are priorities of the Commission's 24/7 maintenance program. Sophisticated weather monitoring equipment installed on the bridges, in conjunction with new salting technologies and equipment, have enabled the Commission to respond quickly to changing surface conditions. Overhead gantry signage and the traffic alert system play a role in advising patrons of potential hazards. → **THE TRAFFIC ALERT PROGRAM** is another success story for the Commission. Using text messaging and e-mail, the Commission now alerts more than 1,000 registered users, with the issuing of one message, of situations that have the potential to impact traffic flow on the bridges. This service is provided at no cost to users. → **MONTHLY SPEED SURVEYS** enable the Commission to establish a base line for determining the

Moving Traffic and Commerce

Highest Traffic Days Recorded

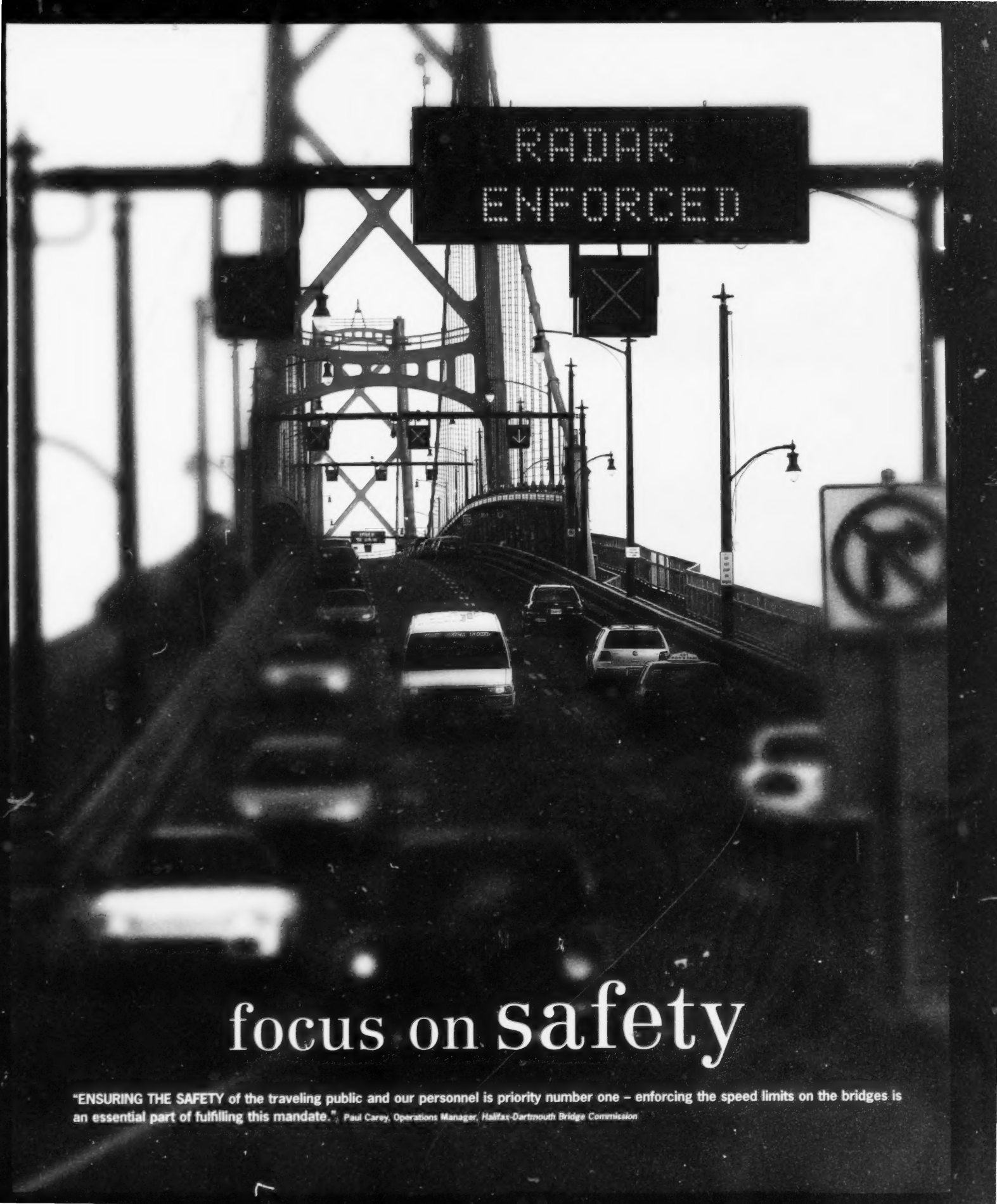
Friday, December 17, 2004	112,886 crossings
Friday, December 19, 2003	113,281 crossings
Friday, November 15, 2002	111,894 crossings
Friday, December 14, 2001	110,431 crossings.

Number of Days Exceeding 100,000 Crossings

2004	128
2003	139
2002	121
2001	45

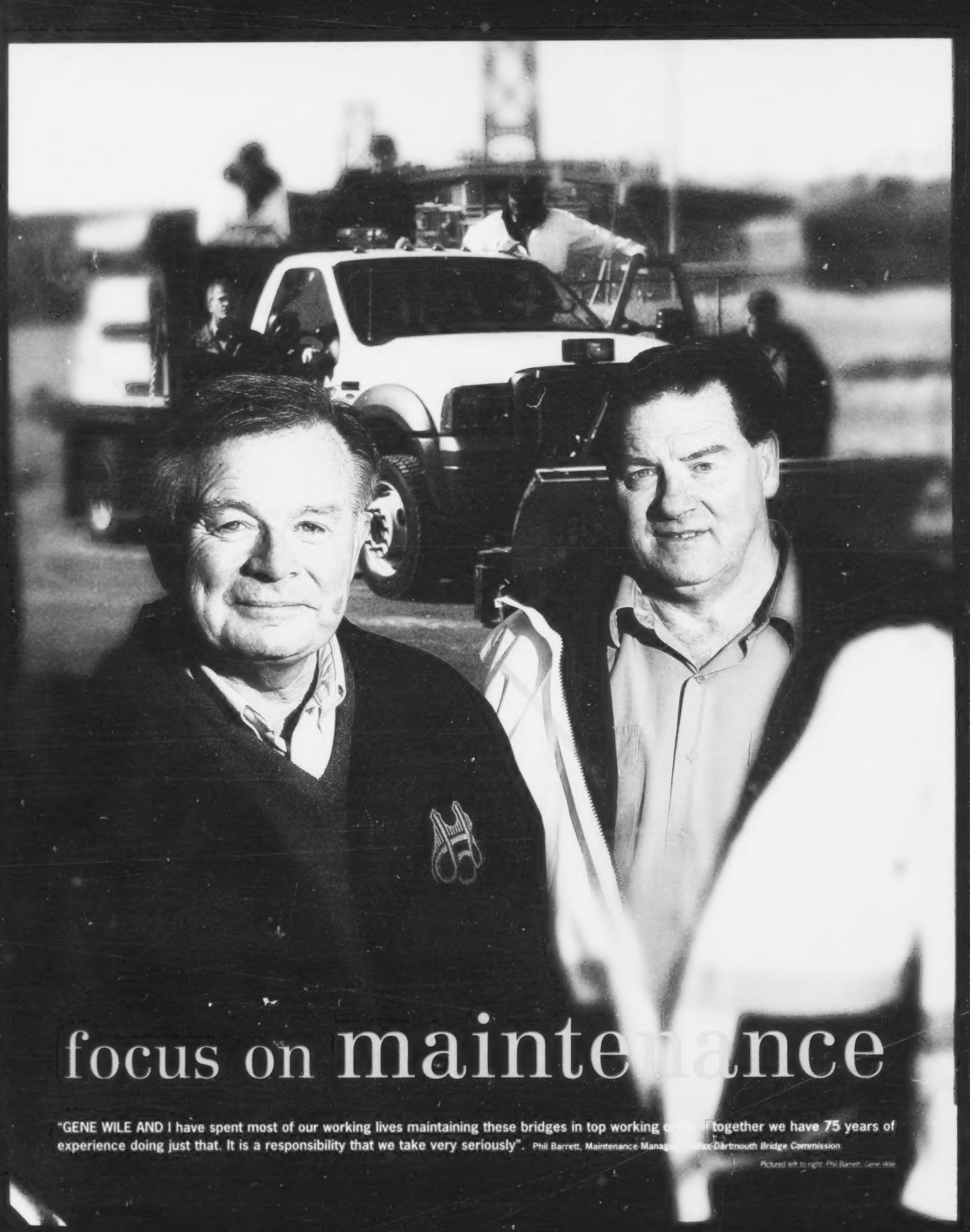
MACPASS

MACPASS usage reached 45.35 percent, in 2004 – an increase of 9.57 percent over 2003.



focus on safety

"ENSURING THE SAFETY of the traveling public and our personnel is priority number one – enforcing the speed limits on the bridges is an essential part of fulfilling this mandate." Paul Carey, Operations Manager, *Halifax-Dartmouth Bridge Commission*



focus on maintenance

"GENE WILE AND I have spent most of our working lives maintaining these bridges in top working c[illegible] together we have 75 years of experience doing just that. It is a responsibility that we take very seriously". Phil Barrett, Maintenance Manag[illegible]ax-Dartmouth Bridge Commission.

Pictured left to right: Phil Barrett, Gene Wile

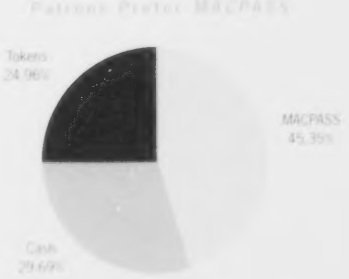
impact that enforcement efforts have on speed reduction. The Commission also uses collision reports to determine collision ratios per 100,000 vehicle kilometres travelled (vkt) based on speed reduction. By bringing the average actual vehicle speed closer in line with the posted limits, the Commission strives to improve safety for patrons and staff as well as protect the bridge infrastructure by decreasing the number of collisions resulting in personal injury and property damage. In order to assess the level of success in achieving these outcomes, the Commission utilizes two measures: 1. The number of collisions resulting in personal injury or property loss per 100,000 vkt. In 2003, there were .26 collisions per 100,000 vkt. In 2004, this number was reduced to .12 collisions per 100,000 vkt. During 2003, the recording procedure for collisions was changed to reflect only collisions involving personal injury, vehicle damage or harm to the Commission's property. This measure more accurately reflects the number of collisions per 100,000 vkt. 2. The Commission measures the average vehicle speed via monthly surveys. The posted speed limit is 70 km/hr on the MacKay Bridge and 50 km/hr on the Macdonald Bridge. The average speed on the MacKay in 2004 was 79.7 km/hr and 63.6 km/hr on the Macdonald. → THE WORLD WAS IRREVOCABLY CHANGED ON SEPTEMBER 11, 2001. The Commission takes very seriously its responsibility to ensure the safety of the public and public structures and allocates appropriate resources. Results from a public opinion survey conducted for the Commission in 2003, indicated that out of 500 respondents, 91 percent believe safety is most critically important to them with maintenance a close second.

Maintenance Attained: The importance of maintenance goes hand in hand with ensuring the safety of the traveling public. As part of the 2004 detailed maintenance and capital improvements program, the Commission's priority is to ensure that the bridges (main structures, cables and piers) are maintained in superior condition. → PAINTING IS A KEY COMPONENT OF THE COMMISSION'S MAINTENANCE PROGRAM, which helps ensure minimal loss of steel on the main structures and minimal flaking and cracking of the main cable coating. As part of their on-going responsibilities, staff research new coating techniques and systems that may be appropriate. → PAINTING IS DONE ON A CONTINUOUS BASIS – it takes three painting seasons (May to October) to complete one cycle on both bridges. When the cycle is complete, the painters start back at the beginning. In 2004, the Commission completed 10 percent of the required cable maintenance and has targeted 30 percent completion for 2005, with 100 percent completed by 2008 for both bridges.

→ THE COMMISSION HAS ROUTINELY COMPLETED MAJOR CONCRETE REPAIRS for the past eleven years and expects this to continue for at least another two years. Maintenance work on the bridge piers to address spalling is currently 66 percent completed and it is anticipated that 80 percent will be completed by the end of 2005. → IN 2004, THE WEARING SURFACE WAS REPLACED on the approaches and re-capped on the suspended span of the Macdonald Bridge.

Efficiency Accomplished: Managing traffic efficiently and reducing congestion are on-going commitments of the Commission. In recent

years, great strides have been made to improve traffic flow on the bridges, including the addition of the third lane, sidewalk and bicycle lanes on the Macdonald Bridge, as well as the Barrington Street ramp, and the introduction of electronic toll collection *(MACPASS)*. The provision of efficient cross-harbour transportation is achieved through many programs and initiatives.



→ **MACPASS CONTINUES TO REIGN** as the number one preferred method of payment of tolls on the bridges. In 2004, *MACPASS* accounted for 45.35 percent of toll payment transactions while cash and tokens handled 29.69 percent and 24.96 percent respectively. This is a 3.96 percent increase in *MACPASS* market share over the previous year. → **TWO SIGNIFICANT INITIATIVES INTRODUCED THIS YEAR** included patron fare displays in dedicated *MACPASS* lanes to provide better customer service and the implementation of a marketing campaign targeted at converting commercial token users to *MACPASS*. → **IN 2004, *MACPASS* RECEIVED A GEM STONE AWARD** for its Lane Handouts and Website, from the Canadian Public Relations Society of Nova Scotia. Maintaining the reputation of the brand and providing excellent service to our customers continues to be the focus of importance. → **THE COMMISSION'S OUTCOMES FOR EFFICIENT TRANSPORTATION** are to increase the number of *MACPASS* transponders on the system and to reduce congestion on the toll plazas. Growing *MACPASS* usage helps to reduce toll plaza congestion by reducing the number of vehicles queued in the lanes during peak travel periods.

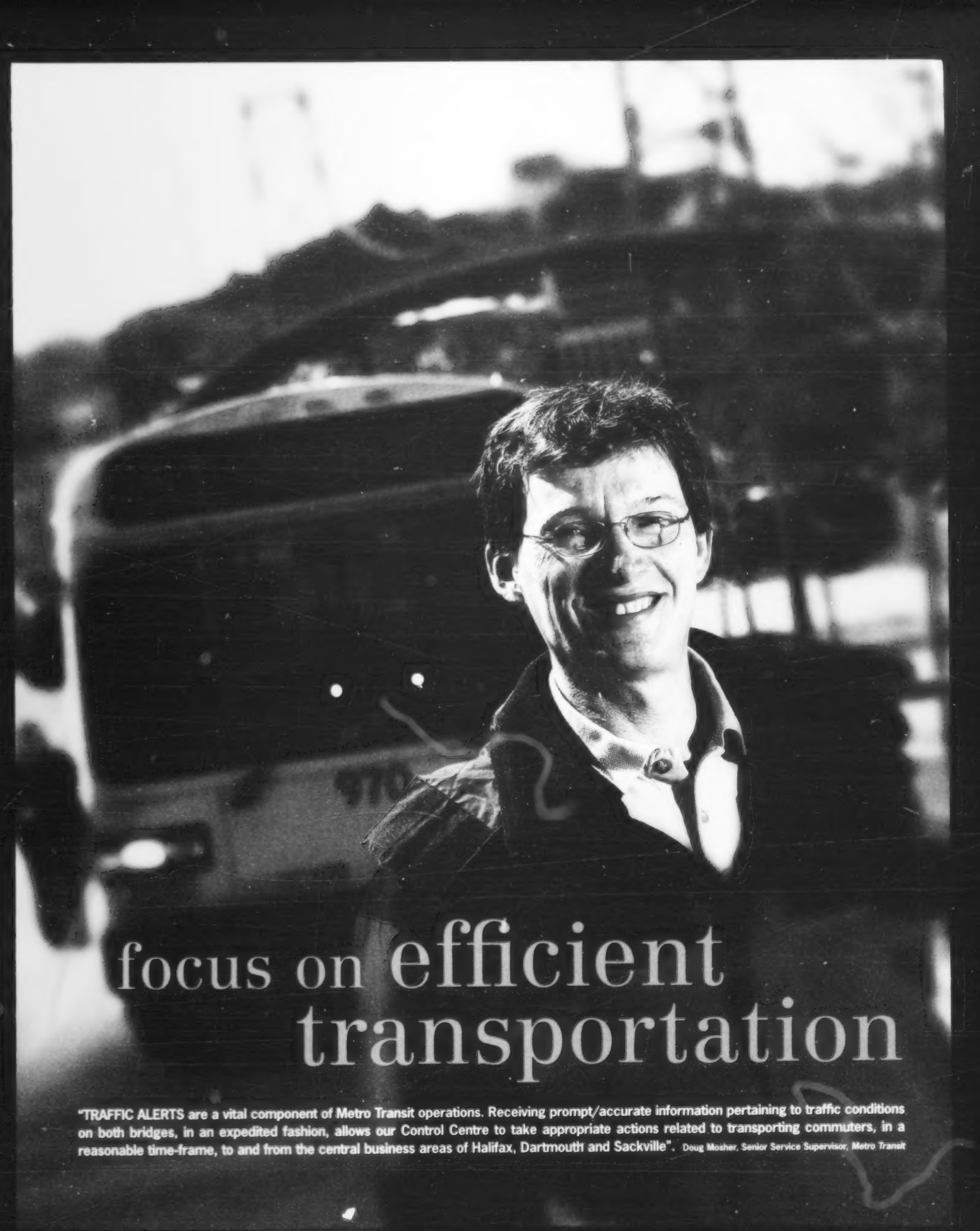
Solid Financial Management: Financial management and stability is achieved through various business functions and activities. Through the review, development and implementation of policies, plans and budgets, the Commission continues to: effectively collect tolls both electronically and mechanically; maintain the reliability of internal control systems; meet obligations to Bondholders; meet capital project requirements; manage the Operating and Maintenance Budget; and use the Commission's cash flow for capital expenditures and investment for the reduction of debt. → **THE COMMISSION'S MEASURES TO ACHIEVE SOLID FISCAL MANAGEMENT ARE:** the accumulation of capital and sinking funds with a contribution of $5 million per year to these funds, as well as to maintain positive cash flow. → **IN 2004, THE COMMISSION PURCHASED** for cancellation $5,621,000 of the outstanding Toll Revenue Bonds Series 1 and reduced its line of credit by $4,000,000. Both of these reductions were funded from cash on hand. → **THE COMMISSION IS PLEASED** that its Toll Revenue Bond Series 1 continues to be rated AA (low) and A+. These ratings are indicative of the solid financial position of the Commission.

Barrington Street Ramp

"The Commission's investments in the Barrington Street Ramp, the addition of the third lane on the Macdonald Bridge and MACPASS have yielded significant benefits for patrons – reducing congestion and transit times over the bridges."

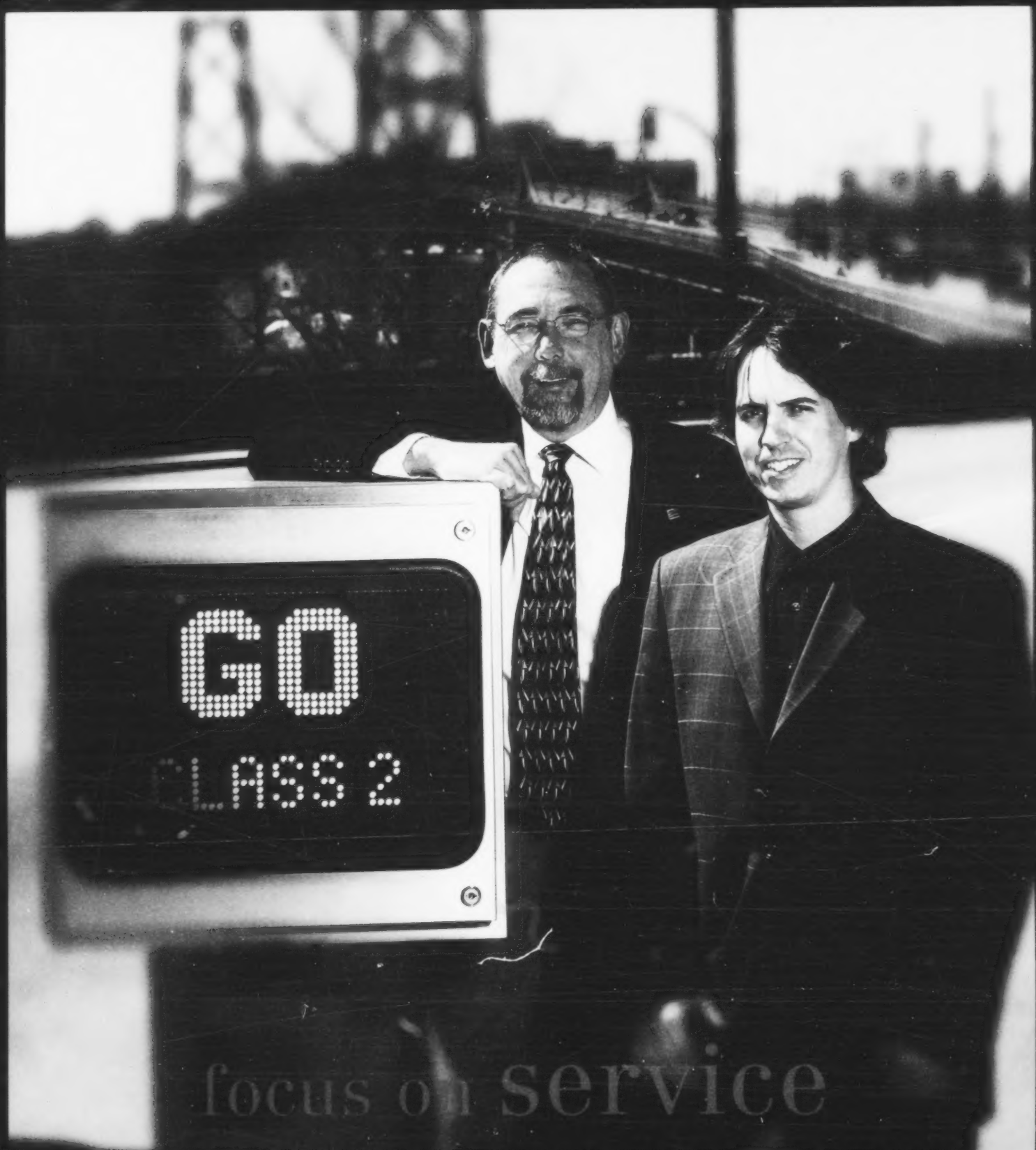
Ken Munro, *Treasurer, Halifax-Dartmouth Bridge Commission*

Please refer to the Management Report on page 16 for further details on the Commission's solid financial management.



focus on efficient transportation

"TRAFFIC ALERTS are a vital component of Metro Transit operations. Receiving prompt/accurate information pertaining to traffic conditions on both bridges, in an expedited fashion, allows our Control Centre to take appropriate actions related to transporting commuters, in a reasonable time-frame, to and from the central business areas of Halifax, Dartmouth and Sackville". Doug Mosher, Senior Service Supervisor, Metro Transit



focus on service

"PATRONS PREFER *MACPASS* more than one and one-half times over paying by cash or tokens. *MACPASS* convenience saves our customers money and time and improves the flow through on the bridges. It's a win-win advantage!"

Steve Snider, General Manager & CEO, *Halifax-Dartmouth Bridge Commission*

Pictured left to right: Steve Snider, Craig Paul

Management Discussion and Analysis

For Year Ended December 31, 2004

This MD&A is filed by the Halifax-Dartmouth Bridge Commission (the "Commission") in accordance with Rule 51 – 102 of the Nova Scotia Securities Commission for the year ended December 31, 2004.

Additional information relating to the Commission, including its 1997 prospectus, subsequent annual and interim reports, and its first Rule 51 – 102 MD&A, is available at www.sedar.com.

As the only securities which have been issued by the Commission are its Toll Revenue Bonds Series 1, the Commission reports as a "venture issuer" for the purposes of Rule 51 – 102.

The Commission's web site is www.hdbc.ns.ca.

The detailed discussion and analysis that follows is provided to assist readers in their assessment and understanding of the results of operations and the financial position of the Commission for the years ended December 31, 2004 and 2003. It combines an analysis of trends and year-to-year changes in the results with an outlook to the end of 2005. This discussion and analysis should be read in conjunction with the audited financial statements. The dollar amounts in this presentation are in thousands.

Accounting Policy

The Commission reports as a government business enterprise as defined by the Public Sector Accounting and Auditing Board of the Canadian Institute of Chartered Accountants (CICA). Government business enterprises are required to use generally accepted accounting principles for profit-oriented enterprises in their financial reporting.

Results of Operations

(in thousands of dollars)

For the year ended December 31, 2004, net income was $5,620 as compared to $6,434 for the year ended December 31, 2003. The significant year over year comparative differences within revenues and expenses are discussed later in this section.

At December 31, 2004, cash on hand was $6,845 held in an interest bearing account. This cash position is down from December 31, 2003 due to the purchase for cancellation at the end of March, 2004 of $5,621 Toll Revenue Bonds Series 1 reducing this component of long term debt from $100,000 to $94,379. Furthermore, on April 1, 2004 the Line of Credit was reduced from $23,000 to $19,000. These reductions in the long term debt will reduce future interest expense.

Revenues

(in thousands of dollars)

Toll Revenue

Toll Revenue for 2004 was down $25 from 2003. Traffic volume in 2004 was down by 94,093 vehicles or 0.30% under 2003. This decrease in traffic volume can be attributed in part to the major winter storm known as "White Juan" in February, 2004, which reduced traffic across the bridges by approximately 248,000 crossings, and the traffic disruption caused by the resurfacing project on the Angus L. Macdonald Bridge from May to July of 2004.

Other Rate Revenue

Other rate revenue in 2004 was up $18 from 2003 due to increased rates on the cables across the bridges. These rates represent amounts charged to various businesses, utilities and the municipality for the use of the Macdonald Bridge to run their cables and water line from one side of the harbour to the other.

Investment and Sundry Income

Investment income on the Operations and Maintenance (OM) Fund, Debt Service Fund and Capital and Sinking Funds amounted to $1,371 for 2004, compared to $1,141 in 2003. These increases are due to increased investments in the Capital Fund and Sinking Fund as required by the Trust Indenture providing for the issue of the Toll Revenue Bonds Series 1 (hereafter, the "Trust Indenture").

Other Revenue

Other Revenue decreased in 2004 by $168. This decrease was primarily due to the Commission using cash on hand to reduce its long term debt by $9,621, thereby reducing its interest bearing current bank account balance.

Total Revenue

These revenue changes resulted in an increase in total revenue during 2004 of $55 compared to 2003.

Revenue Outlook

- Toll revenues are expected to remain the same in 2005 as in 2004.
- Other rate charges are expected to increase slightly in 2005 over 2004.
- Investment income is expected to increase in 2005 as a result of increased earnings in the Sinking Fund and Capital Fund, to which additional amounts will be transferred from operations in 2005 as required by the Trust Indenture.
- Other income is expected to increase in 2005 over 2004 due to increased funds on deposit.

Expenses

(in thousands of dollars)

Operating and Maintenance Charges (OM)

Note: Effective January 1, 2004, for presentation purposes, Administration Expenses are now included in the Operating Expense category. This change is designed to facilitate comparisons between the Commission and similar organizations in North America.

Operating expenses in 2004 increased by $440 compared to 2003. The major operating expenses that increased were: commissionaires $40; insurance $100; professional fees $165; wages $116; and workers' compensation $11. Such increases are in accordance with budget estimates for the year.

Maintenance expenses decreased overall by $30 in 2004 compared to 2003. During 2004, increases were seen in the following major maintenance expense items: engineers' fees $65; gas, oil, grease $4; building maintenance $2; vehicle maintenance $3; painting $39; wages $73; and landscaping supplies $8. The following maintenance expense items decreased: heating $29; salt cost $9; and bridge maintenance $185.

Amortization of Property, Plant and Equipment
Amortization (depreciation) of property, plant and equipment for the year 2004 decreased by $1 compared to 2003 due to the removal of the old roadway wearing surface at the Angus L. Macdonald Bridge which offset the addition of new capital assets including the replacement of the roadway wearing surface.

Amortization of Deferred Transponder Charges
Continuing with policy established in 2000 regarding the handling of transponders, the amortization charges in 2004 were the same as in 2003 (See Notes to Financial Statements #9).

Interest on Long-Term Debt and Amortization of Deferred Financing Costs
Interest on Toll Revenue Bonds Series 1 was down $267 compared to 2003 as a result of the reduction in the long term debt. Interest expense on the line of credit was down by $226 in 2004 compared to 2003 as a result of the reduction in the line of credit and lower interest rates. Amortization of deferred financing costs in the year of 2004 increased by $138 over 2003 which represents the write off of the portion applicable to the bonds purchased for cancellation.

Loss on Disposal of Property, Plant and Equipment
The Commission recognized an overall loss on the disposal of property, plant and equipment in 2004 of $360 compared to $74 in 2003. This loss is primarily due to the premature replacement of the roadway wearing surface on the Angus L. Macdonald Bridge.

Total Expenses
Expense variations resulted in an increase in total expenses for 2004 of $340 compared to 2003.

Premium on Bonds Purchased for Cancellation
At the end of March 2004 the Commission purchased for cancellation $5,621 of the outstanding Toll Revenue Bonds Series 1. To achieve this purchase the Commission paid a premium of $529.

Expense Outlook
- OM expenses are expected to increase in 2005 over 2004 due in part to the celebration of the 50th anniversary of the Angus L. Macdonald Bridge and overall bridge maintenance.
- Amortization of property, plant and equipment is expected to increase slightly in 2005 from the amount charged in 2004.
- Interest on Toll Revenue Bonds Series 1 and amortization of deferred finance costs are expected to decrease during 2005 due to the reduced principal amount of outstanding Toll Revenue Bonds Series 1 and the reduction of the related deferred finance costs.
- Interest on the line of credit is expected to decrease in 2005 compared to 2004 as a result of the reduced principal amount of the line of credit which will be outstanding during 2005 and expected lower interest rates.

Appropriation to Restricted Assets
(in thousands of dollars)

As required by the Trust Indenture, the Commission has established two reserve funds: the OM Fund equal to 25% of annual OM expenses and a Debt Service Fund equal to 50% of annual interest costs on the Toll Revenue Bonds Series 1. These reserves are restricted in their use, and are designated as such in both the asset and equity sections of the Balance Sheet. The funding of these reserves is shown as an appropriation of surplus (deficit) on the Statement of Income and Deficit. OM and Debt Service reserve funds will be contributed to or withdrawn from annually as necessary to maintain the funds at the amount required by the Trust Indenture.

Under the terms of the Trust Indenture, beginning in 2000 the Commission established a Sinking Fund to which it deposits $500 quarterly and a Capital Fund to which it deposits $750 quarterly (the amounts of these required contributions are not affected by the reduction to the principal amount of Bonds outstanding). These funds are restricted in their use and are designated as such in both the asset and equity sections of the Balance Sheet. Contributions to both of these funds will continue until maturity of the Toll Revenue Bonds Series 1 on December 4, 2007.

Appropriation to Restricted Assets Outlook
Under the terms of the Trust Indenture in 2005, the Commission will maintain and contribute to the four funds as required.

Net Income Outlook

- Revenue for 2005 is expected to increase slightly over 2004.
- Expenses for 2005 are expected to increase over 2004.
- Overall, it is expected that net income for 2005 will decrease from 2004.

Liquidity and Capital Resources
(in thousands of dollars)

The following discussion of Operating, Financing and Investing Activities should be read in conjunction with the Statement of Cash Flows included in the audited financial statements, which indicates a negative cash flow for 2004 of $7,444.

Operating Activities
The Commission's operating activities generated $11,694 in positive cash flow during 2004. In 2003, a positive cash flow from operations of $12,225 was generated. Continued positive cash flow from operations is anticipated for 2005.

Investing Activities
The Commission incurred capital expenditures of $3,167 in 2004, up from $1,412 in 2003. Under the terms of the Trust Indenture, the Commission maintained four reserve funds in 2004. Contributions to and investment income in the Capital Fund amounted to $3,775 and in the Sinking Fund amounted to $2,483.

The OM Fund increased by $277 over 2003 and the Debt Service Fund decreased by $166 compared to 2003. The net increase of $111 is the result of the requirements of the Trust Indenture to have the OMA Fund maintained at 25% of the annual OM expenses and the Debt Service Fund maintained at 50% of annual interest.

Financing Activities
At the end of March 2004 the Commission purchased for cancellation $5,621 of the outstanding Toll Revenue Bonds Series 1. This reduced the Toll Revenue Bonds Series 1 liability from $100,000 to $94,379. On April 1, 2004 the Commission reduced its line of credit by $4,000 to $19,000. Both of these reductions were funded from cash on hand.

Capital Structure
The Commission is a non-share entity incorporated by the Province of Nova Scotia. The Commission has never paid a dividend and the payment of dividends is restricted while the Toll Revenue Bonds Series 1 are outstanding.

The long term debt of $113,379 is made up of $94,379 Toll Revenue Bonds Series 1, which bear an annual interest rate of 5.95% and matures on December 4, 2007, and a line of credit of which $19,000 is outstanding. This revolving line of credit has a limit of $30,000 and bears a floating interest rate. During 2004 this rate ranged between 2.40% and 2.97%. The line of credit also matures in December 2007. Interest on the Toll Revenue Bonds is paid semi-annually and interest on the line of credit is paid annually.

The Toll Revenue Bonds Series 1 are rated as follows:

Dominion Bond Rating Service Limited	AA (low)
Standard and Poors Ratings Services	A+

The Commission and its Business

The Commission was created in 1950 by the Halifax-Dartmouth Bridge Commission Act, a statute of the Province of Nova Scotia, (now R.S.N.S. 1989, c.192) as a non-share corporation to "Construct, maintain and operate" bridges and their approaches across Halifax Harbour between Halifax and Dartmouth (and possibly across the Northwest Arm).

The Commission consists of nine Commissioners. The Province of Nova Scotia appoints five members including the Chairman and Secretary, while the Halifax Regional Municipality appoints four Councillors to the Commission's Board.

The Commission reports to the Legislature through the Minister of Finance.

The Commission's web site is www.hdbc.ns.ca.

Business
The Commission has operated a two lane bridge, the Angus L. Macdonald Bridge, (the "Macdonald Bridge"), since 1955 (which now has a reversible third lane opened September, 1999) and a four lane bridge, the A. Murray MacKay Bridge, (the "MacKay Bridge"), since 1970.

The Commission has no present intention of undertaking construction of any further bridges. Operation of the bridges and the related approaches includes continuing engineering inspections, routine and long term maintenance, repairs, winter snow and ice clearance, traffic patrols, security measures, toll collection, financial and general administration.

Competition
The Commission does not face competition in any meaningful sense, as the service it provides is unique.

The bridges directly connect the built up areas of Halifax and Dartmouth and generally provide significantly quicker access to the business districts of both communities than do the alternate routes. Pedestrians and bicyclists are not permitted on the MacKay Bridge, but pedestrians may walk and bicyclists ride, across the Macdonald Bridge without charge, in their dedicated lanes.

Those wishing to travel from one side of the Harbour to the other have several means of doing so; among them the Bridges operated by the Commission which constitute the most direct route for motor vehicles across the Harbour. The alternatives are a combination of local streets and public highways around Bedford Basin, a distance of approximately 19 kilometres or more, measured from the Dartmouth approach to the Halifax approach of the MacKay Bridge. The ferries operated by Metro Transit carry only pedestrians and bicyclists.

Financial affairs
The Commission manages its own financial affairs within the policies established by the Province of Nova Scotia applicable to Crown corporations and government business enterprises generally.

The Commission is self-supporting financially. It charges tolls to vehicles crossing the bridges and collects additional revenue from other utilities which have installed a water line and cables across the bridges.

Public Utility
For certain purposes, the Commission is deemed to be a public utility and is subject to the general supervisory powers of the Nova Scotia Utility and Review Board.

By the terms of the act of incorporation, the Commission is not subject to the provisions of the Public Utilities Act (Nova Scotia) relating to (a) new construction, improvements, betterments, or extensions to its property; (b) issue of shares, stocks, bonds, debentures or other evidence as an indebtedness; (c) proper and adequate depreciation of its assets; and (d) setting up, maintaining, use and disposal of depreciation reserve funds. Toll rates for the use of the bridges are subject to NSUARB approval.

Securities Regulations
The Commission is subject to securities regulations in all provinces of Canada.

Halifax-Dartmouth Bridge Commission
The Commission does not have a Board of Directors as such; these financial statements have been reviewed and approved by the Commission.

Management Report

For Year Ended December 31, 2004

The financial statements and all the information in this Annual Report are the responsibility of management and have been approved by the Commission.

Management prepares the financial statements and is responsible for the integrity and objectively of this information. The statements have been prepared using Canadian generally accepted accounting principles and methods appropriate to the Commission including where applicable, amounts based on management's best estimates. Financial information elsewhere in this Annual Report is consistent with that in the financial statements.

The Commission maintains a system of internal controls designed to provide reasonable assurance that transactions are recorded and executed in accordance with its authorization practice, that assets are properly safeguarded, and that reliable financial records are maintained. This system includes written policies and procedures and an organizational structure that segregates duties.

The Commission is responsible for ensuring that management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Commission carries out this responsibility, principally, through its Audit and Finance Committee.

The Audit and Finance Committee meets periodically with management and the external auditors to discuss audit and financial matters. In addition, the Committee reviews the unaudited quarterly and audited annual financial statements of the Commission and submits its report and the financial statements to the Commission for approval.

Levy Casey Carter MacLean, Chartered Accountants, the Commission's external auditors are engaged to provide an independent audit of the annual financial statements in accordance with Canadian generally accepted auditing standards. Levy Casey Carter MacLean have full and free access to the Audit and Finance Committee.

Steven Snider
General Manager & CEO

Ken Munro
Treasurer

Auditor's Report

To the Chairman and Commissioners of the Halifax-Dartmouth Bridge Commission:

We have audited the balance sheets of Halifax-Dartmouth Bridge Commission as at December 31, 2004 and 2003 and the statements of income, deficit and cash flows for the years then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at December 31, 2004 and 2003 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Levy Casey Carter MacLean
Chartered Accountants
Halifax, Nova Scotia
February 11, 2005

Balance Sheet

(Dollars in thousands)

December 31	2004	2003
Assets		
Current:		
Cash (note 1(e))	$ 6,845	$ 14,289
Receivables		
Trade	89	35
Accrued receivables	17	40
Recoverable HST (note 2)	119	133
Prepaid expenses	266	231
	7,336	14,728
Deferred financing costs and discounts, net of accumulated amortization of $4,281 (2003 amortization $3,439) (note 1 (d))	2,318	3,299
Deferred transponder charges, net of accumulated amortization of $270 (2003 amortization $205) (note 9)	387	452
Property, plant and equipment (note 3)	69,922	71,439
Restricted assets (note 4)		
OM Fund	2,017	1,739
Debt Service Fund	2,808	2,974
Sinking Fund	11,391	8,908
Capital Fund	17,257	13,483
	$ 113,436	$ 117,022
Liabilities		
Current:		
Payables and accruals, trade	$ 843	$ 755
Project holdbacks payable	298	258
Accrued payables	432	456
Refundable customer transponder amounts (note 9)	1,804	1,558
Deferred revenue (note 1(b) and note 5)	2,810	2,745
	6,187	5,772
Long-term debt (note 6)		
Toll Revenue Bonds Series 1	94,379	100,000
Line of credit	19,000	23,000
	113,379	123,000
Deficit		
Reserve for restricted assets (note 4)	33,473	27,104
Deficit	(39,603)	(38,854)
	(6,130)	(11,750)
	$ 113,436	$ 117,022

On Behalf of the Board

Bruce S. Smith
Chairman

Linda Moreash
Secretary

Statements of Income and Deficit

(Dollars in thousands)

Year ended December 31	2004	2003
Revenue:		
Toll revenue (note 1(b))	$ 22,978	$ 23,003
Other rate revenue	153	135
Investment and sundry income		
Interest on restricted funds	1,371	1,141
Other	282	450
	24,784	24,729
Expenses:		
Operating expenses	4,037	3,597
Maintenance expenses	2,671	2,701
Amortization of property, plant and equipment	4,305	4,306
Amortization of deferred transponder charges	65	65
Interest on long-term debt and amortization of deferred financing costs (note 7)	7,197	7,552
Loss on disposal of property, plant and equipment	360	74
	18,635	18,295
Operating Income	6,149	6,434
Premium on bonds purchased for cancellation	529	-
Net Income	5,620	6,434
Deficit, beginning of year	(38,854)	(39,036)
Appropriation to Restricted Asset Reserve	(6,369)	(6,252)
Deficit, end of year	$ (39,603)	$ (38,854)

Statements of Cash Flows

(Dollars in thousands)

Year ended December 31	2004	2003
Operating Activities:		
Net income	$ 5,620	$ 6,434
Amortization of property, plant and equipment	4,305	4,306
Amortization of deferred finance costs	980	842
Amortization of deferred transponder charges	65	65
Loss on disposal of property, plant and equipment	360	74
	11,330	11,721
Net change in non-cash operating balances (note 8)	364	504
	11,694	12,225
Investing Activities:		
Purchase of property, plant and equipment	(3,167)	(1,412)
Proceeds from disposal of property, plant and equipment	19	14
Investment in Capital Fund	(3,775)	(3,623)
Investment in Sinking Fund	(2,483)	(2,389)
Investment in OM Fund	(277)	(240)
Decrease in Debt Service Fund	166	1
	(9,517)	(7,649)
Financing Activities:		
Bonds purchased for cancellation	(5,621)	-
Repayment on line of credit	(4,000)	-
	(9,621)	-
Increase (decrease) in cash during year	(7,444)	4,576
Cash, beginning of year	14,289	9,713
Cash, end of year	$ 6,845	$ 14,289

Notes to the Financial Statements
December 31, 2004

1. Significant Accounting Policies
(Dollars in thousands)

a Basis of financial statement presentation

The Commission, which is a provincially controlled public sector entity, is reporting as a government business enterprise as defined in the Public Sector Accounting and Auditing handbook of the Canadian Institute of Chartered Accountants. Government business enterprises are required to use generally accepted accounting principles for profit-oriented entities, which is the basis under which these financial statements are prepared.

b Revenue recognition

The Commission recognizes revenue at the time a vehicle crosses a bridge. The Commission's bridge toll rates are regulated by the Nova Scotia Utility and Review Board.

c Amortization of property, plant and equipment

Amortization is calculated using the declining balance (d.b.) method, except for bridge structures, buildings, some bridge components, and transponders which are being depreciated using the straight line (s.l.) method, at rates based on the estimated useful life of the assets, as indicated in note 3. Amortization commences in the year an asset is put in use. The Commission periodically updates the estimated remaining useful life of the bridges based on consultation with the Commission's external consulting engineers.

d Amortization of financing costs

The financing costs, discounts and hedge costs are being amortized on a straight line basis over the term of the Toll Revenue Bonds Series 1, to December, 2007.

e Cash and cash equivalents

Cash consists of funds held in the current bank account. Interest is received on funds in the general bank account at a rate of Prime minus 1.75%.

f Investments

Investment in Capital Fund and Sinking Fund are recorded at cost. Interest earned is accrued annually and added to the carrying value of the asset. Premiums paid on the purchase of the investments are added to the cost of the asset and amortized to investment income over the life of the related investment.

g Use of estimates

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

2. Harmonized Sales Tax (HST) and income Tax Status

As a public sector entity controlled by the Province of Nova Scotia, the Commission is not subject to Federal or Provincial income taxes, and is entitled to rebates of 100% of the HST it expends on goods and services.

3. Property, plant and equipment

Property, plant and equipment

December 31			2004		2003
(Dollars in thousands)	Rate	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land		$ 5,735	$ -	$ 5,735	$ 5,735
Buildings	40 yrs s.l.	2,356	1,461	895	699
Bridge and bridge components					
Angus L. Macdonald	20 to 85 yrs s.l.	67,503	19,735	47,768	48,447
A. Murray MacKay	15 to 80 yrs s.l.	23,800	11,664	12,136	13,085
Electronic toll transponders	10 yrs s.l.	1,615	525	1,090	1,030
Computer equipment	30% d.b.	658	507	151	193
Toll and other equipment	20% d.b.	6,279	4,440	1,839	1,997
Mobile equipment	30% d.b.	1,087	779	308	253
		$ 109,033	$ 39,111	$ 69,922	$ 71,439

4. Restricted Assets
(Dollars in thousands)

Under the terms of a trust indenture dated November 27, 1997 between the Commission and CIBC Mellon Trust Company providing for the issue of Toll Revenue Bonds Series 1, so long as such Bonds are outstanding, the Commission must maintain four reserve funds, which will be funded from revenues of the Commission, after payment of current operating and maintenance expenses. With the exception of the Capital Fund, the reserve funds are held and invested by the trustee on behalf of the Commission.

The Operating and Maintenance (OM) Fund must be maintained at an amount at least equal to 25% of the annual budgeted OM expenses for the year. This fund can only be used to pay OM expenses, although any amount in the fund in excess of the required balance can be transferred to the Commission's unrestricted accounts. At December 31, 2004 the OM Fund had a market value of $2,017 and was invested in Government of Canada Treasury Bills maturing in June 2005 with a yield of 2.52%.

The Debt Service fund must be maintained at an amount at least equal to 50% of annual interest payments required in respect of certain indebtedness, net of interest earned by the Commission in the year. This fund can only be used to pay principal, interest, and fees in respect of Toll Revenue Bonds, although any amount in the fund in excess of the required balance can be transferred to the Commission's unrestricted accounts. At December 31, 2004 the Debt Service Fund had a market value of $2,808 and was invested in cash and Government of Canada Treasury Bills maturing in June 2005 with a yield of 2.52%.

The Commission has been required to make quarterly contributions of $500 to the Sinking Fund since the first quarter of the year 2000. This fund can only be used to pay amounts owing in respect of the principal or interest on the Toll Revenue Bonds. At December 31, 2004 the Sinking Fund had a market value of $11,515 and was invested in various federal and provincial bonds maturing in 2007 with yields of 3.15% to 6.68%.

The Commission has been required to make quarterly contributions of $750 to the Capital Fund since the first quarter of the year 2000. This fund can only be used to pay amounts owing in respect of the principal or interest on the Toll Revenue Bonds, or for the maintenance of, or improvements to, the bridges. At December 31, 2004 the Capital Fund had a market value of $17,405 and was invested in various federal, provincial and corporate bonds maturing in 2007 with yields of 5.20% to 7.92%.

5. Deferred Revenue

Deferred Revenue

(Dollars in thousands)

December 31	2004	2003
Unredeemed Tokens (see below)	$ 1,508	$ 1,551
Electronic Toll Collection (ETC) Accounts (see below)	1,302	1,194
	$ 2,810	$ 2,745

Token sales are recorded as deferred revenue until the tokens are used by customers, at which time revenue is recognized.

Customers prepay their ETC crossings. When the customer crosses a bridge, revenue is recognized and the deferred ETC account is reduced accordingly.

6. Long-term Debt

Long-term Debt

(Dollars in thousands)

December 31	2004	2003
5.95% Toll Revenue Bonds Series 1 (see below)	$ 94,379	$ 100,000
90 day B.A. rate + 3/10 of 1% line of credit (see below)	19,000	23,000
	$ 113,379	$ 123,000

5.95% Toll Revenue Bonds Series 1, maturing December 4, 2007, with interest payable in semi-annual payments. The Bonds are secured by an assignment of the revenues of the Commission; subject to the prior payment of operating and maintenance expenses, and the maintenance of certain reserve funds by the Commission persuant to a trust indenture dated November 27, 1997 between the Commission and CIBC Mellon Trust Company (see note 4).

90 day B.A. rate + 3/10 of 1% line of credit, maturing the day following the date principal and interest are repaid in full on the Toll Revenue Bonds Series 1. This facility is a committed revolving credit of $30,000. Interest is payable annually. This debt is subordinated to the payment in full of all amounts from time to time owing to the holders of the Toll Revenue Bonds Series 1 under the Trust Indenture (see note 4). No amounts of principal or interest shall be paid by the Commission on this debt if the Commission is in default of payment of OM expenses, principal or interest on the Toll Revenue Bonds Series 1, amounts due to be deposited into the OM Fund, Debt Service Fund, Sinking Fund, or Capital Fund, or amounts of principal and interest due under any other indebtedness of the Commisson. On April 1, 2004 the Commission paid $4,000 on the outstanding line of credit bringing the balance to $19,000.

The estimated fair market value of the $94,379 fixed rate long-term debt, based on the quoted market price for the same issue at December 31, 2004 is $100,715. The reduction from $100,000 to $94,379 was achieved by purchasing for cancellation bonds with a face amount of $5,621.

Payments required to the Sinking Fund and Capital Fund (see note 4) over the next three years are as follows:

2005	$ 5,000
2006	$ 5,000
2007	$ 3,750

7. Interest on long-term debt and amortization of deferred financing costs

Interest

(Dollars in thousands)

December 31	2004	2003
Interest on long-term debt		
Toll Revenue Bonds	$ 5,683	$ 5,950
Line of Credit	534	760
Amortization of deferred financing costs and discounts	980	842
	$ 7,197	$ 7,552

8. Net change in non-cash operating balances

Net Change

(Dollars in thousands)

December 31	2004	2003
Increase (decrease) in cash from changes in:		
Receivables	$ (17)	$ (106)
Prepaid expenses	(35)	(34)
Payables and accruals	105	315
Customer transponder amounts	246	253
Deferred revenue	65	76
	$ 364	$ 504

9. Transponders

(Dollars in thousands)

The Commission has recorded a liability for all payments received on the issue of transponders to customers. The cost of all transponders issued to customers prior to December 2000 has been recorded as a deferred charge. The cost of all transponders purchased for issue to customers after that date has been recorded as property, plant and equipment (see note 3). In both cases, the transponders are being amortized on a straight-line basis to 2010.

10. Financial instruments

Fair value of financial instruments

Financial instruments of the Commission consist mainly of cash, accounts receivable, restricted assets, accounts payable, accrued liabilities and long-term debt. The carrying values of these financial assets and financial liabilities approximate their fair values, except for restricted assets and fixed-rate long-term debt, as disclosed in Note 4 and Note 6 respectively.

Interest rate risk

The market value of the Commission's restricted asset investments is directly related to the market interest rate in effect at the time of the market value determination as indicated in Note 4. The Commission is exposed to interest rate cash flow risk on the line of credit, as the interest rate is a floating rate that is reset as market rates change, as indicated in Note 6.

11. Related party transactions

(Dollars in thousands)

As a provincially controlled public sector entity, the Commission is considered to be related to the Province of Nova Scotia. During the year, the Commission purchased from the Province, for cancellation, $5,621 of Toll Revenue Bonds Series 1 at market value for $6,150 (2003, $NIL). During the year, the Commission paid $4,000 on the outstanding line of credit to the Province of Nova Scotia leaving a balance at December 31, 2004 of $19,000 (2003, $23,000). In addition, the Commission paid interest during the year on the line of credit to the Province of Nova Scotia in the amount of $534 (2003, $760).

12. Pension plan

(Dollars in thousands)

The Commission sponsors a defined contribution pension plan for all permanent employees. No future contributions are required in respect of past service at December 31, 2004. The Commission recognized an expense of $66 for pension contributions for 2004 ($65 for 2003).

13. Retirement benefits

(Dollars in thousands)

Generally accepted accounting principles require entities to accrue all employee future benefits. The Commission's policy is that all employees whose age and years of service total 80 or more, or who become disabled at any age, will be paid a retirement benefit equal to one month's salary for their first ten years of service, plus one month's salary for each additional five full years of service. The benefit is based on the salary in effect at the time of retirement. The Commission has recorded a liability of $239 (2003, $180) in retirement benefits at December 31, 2004. The amount of $59 was charged to administrative and maintenance expenses for the year (2003, $24) in this regard.

14. Incorporation

The Halifax-Dartmouth Bridge Commission is incorporated by Special Statute of the Province of Nova Scotia.The mandate of the Commission is to construct, maintain, and operate bridges and their necessary approaches across Halifax Harbour, between the communities of Halifax and Dartmouth, and across the North West Arm.

15. Contingencies

The Commission has received correspondence that may lead to a claim against it for alleged damages caused to a property owner by modifications to a bridge. The eventual outcome of such action, if any is taken, is not determinable at this time.

16. Additional Credit Facility

(Dollars in thousands)

The Commission has a $5,000 operating loan facility with a chartered bank which bears interest at prime rate minus .5% per year. The operating facility is subject to annual review and is unsecured. As at December 31, 2004, no advances were outstanding.

17. Comparative figures

In some cases, the comparative figures on these financial statements have been reclassified to correspond with the current year's presentation.

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We welcome your comments on the Annual Report
or any Commission publication.